

DECEMBER 5, 1996

Attendees:

Kenneth Vogel, Patsy Bragg, Debbie Briggs, George Butler, John Clark, Mitchell Parker, Sheila Roy, Mike Santos, Jim Sheets, Barbara Widick, Carla Wilson

Discussion on Financial Solvency

- **Financial solvency will be evaluated on the appellant's net worth. Presumptively that at \$300+ million they would be financial solvent; less than \$300 million - check with business information service (TRW) for financial solvency.**
- **Appellants will submit audited financial statement (consolidated balance sheet) when applicable on an annual basis. Publicly traded firms are required to submit financial reports to the SEC annually; therefore, can submit to MMS.**
- **MMS will give details in the Preamble on why \$300 million net worth was selected as the first measurement of financial solvency.**
- **MMS will continue to use the \$1,000 and under threshold for which no appeal surety or financial solvency testing is required.**

It was discussed that MMS will continue to collect sureties on appeals until RSFA regulation on self-bonding is published. Time-frame for publishing regs to be approximately one year.

MMS needs to make a determination on all sureties held once RSFA regs are published. RSFA is not specific on being retro-active on self-bonding. If MMS chooses to release all sureties for those who meet the "financial solvency test" under the new regulation, MMS needs to address this in the Preamble.

Also discussed: whose net worth will be evaluated? Who ever appeals will be evaluated.

The Debt Collection Flow Chart and draft Demand Letter and Notice were reviewed.

- **Bill correction will be sent to payor/designee.**
- **Various ideas were suggested for rewording the Notice of unpaid bills.**
- **It was agreed MMS would send a notice to the lessees with a listing of delinquent leases attached. Listing would include lease number and amounts due per lease.**
- **It was agreed we would send a pre-notice to designator (Lessee) without appeal right after attempt to make telephone contact prior to Demand to Payor.**
- **If lease was unpaid, all lessees designated on lease would be notified.**

- **Roll up before calculating. Can this be done for an attachment to notice?**
To protect their rights lessee will appeal while checking out bill. To help resolve this problem, a pre-notice will be issued.
- **Regarding the flow chart - can more time be added between the first bill to the telephone call to delinquent designee** Feel this is not feasible as we need to keep in mind the 180 day period before Treasury would take over.
- **The seven year stat is not an issue. We just want to get it done ASAP.**
- **Lessee needs to be reminded that additional interest is accruing while appealing.**
This will be added to all letters.

If an attachment is included with the notices, you would have to run two separate details to cover the following "problems":

- **Do not need to know how much is owed at time of notice**
- **Send notice, but not appeal**
- **How would the attachment be handled without tremendous amount of time/paperwork**

Burden of proof will be on lessees as to the amount due by them on each lease. MMS will provide total for the lease, but will not break it down to percentage of ownership.